

PNC Bank, N.A.
One PNC Plaza
Fifth Avenue and Wood Street
Pittsburgh, PA 15265
412 762 2803 Tel

Alfred Cordasco
Supervising Counsel

CHG
10/16

PNCBANK

December 15, 1997

Cynthia L. Johnson, Director
Cash Management Policy and Planning Division
Financial Management Service
U.S. Department of the Treasury, Room 420
401 14th Street SW
Washington, D.C. 20227

Re: Notice of Proposed Rulemaking
Management of Federal Agency Disbursements
31 CFR Part 208
RIN 1510-AA56

Dear Ms. Johnson:

PNC Bank Corp., for itself and its individual subsidiaries, ("PNC") submits this letter in response to the request by the Financial Management Service, Fiscal Service of the U.S. Department of the Treasury ("Treasury") for comment on revisions to Treasury's Management of Federal Agency Distribution regulations published in the Federal Register on September 16, 1997 (the "Proposed Rule"). With assets of approximately \$72 billion, PNC is one of the nation's largest bank holding companies, with principal subsidiary banks located in Pennsylvania, Kentucky, Ohio, and Delaware.

PNC appreciates the opportunity to comment on the Proposed Rule and hopes that its comments will assist Treasury in formulating its final rule.

PNC understands and supports the goals of improving the efficiency, security and cost effectiveness of Federal payments by making greater use of electronic direct deposit services. PNC also understands the need to make such services available, in accordance with legislative requirements, to all recipients of such payments, including those persons who do not currently have an account at a financial institution. PNC believes that it is essential to the accomplishment of these goals that Treasury permit financial institutions the maximum flexibility allowed by law to use existing products and services, or to develop new products and services, which both meet the needs of Federal payment recipients and are profitable for financial institutions. Treasury's goals will be served best by widespread participation by financial institutions in the voluntary offering of accounts to unbanked recipients. In order to promote such participation, it is extremely important that financial institutions view their participation as potentially profitable.

EFT
#114

PNC also believes that educating the public generally about the use of electronic direct deposit and related services will be crucial to the success of the joint efforts of Treasury and financial institutions. This will be true especially with respect to those members of the public who do not have experience with bank accounts and related services such as ATMs and debit cards. By virtue of its role in disbursing payments to recipients, Treasury is in the best position to reach such recipients and provide to them basic information to facilitate their interaction with financial institutions. Treasury should work closely with financial institutions to develop appropriate educational materials and training.

The following are PNC's responses to some of the questions asked by Treasury in the Supplementary Information accompanying the Proposed Rule.

Definition of Authorized Payment Agent

PNC agrees that all Federal payments should be deposited into an account at a financial institution, (as defined in the Proposed Rule), and that the depository account should be in the name of the recipient, an authorized payment agent, (as defined in the Proposed Rule,) or a broker or dealer registered under the Securities Exchange Act of 1934, in accordance with proposed 208.6(b)(2). This will help ensure that any determination as to whether circumstances warrant the appointment of a representative payee is made by the paying agency according to its established procedures.

Financial Agents for the ETA

PNC also believes that if Treasury makes available to recipients an approved electronic transfer account, ("ETA"), then only financial institutions, (as defined in the Proposed Rule), should be eligible to be the financial agents for those accounts. As stated below, PNC thinks that there may be an appropriate role for certain non-financial institutions to play in working with financial institutions to facilitate access to an ETA. However, financial institutions are best suited to provide the necessary consumer protections and to be the focal point for access to the payment system.

Community Reinvestment Act

PNC recommends that financial institutions which make available either the ETA or another account which meets the needs of the unbanked members of the public should receive favorable consideration under the Community Reinvestment Act's service test. It is also important that financial institutions which choose not to offer such accounts, or which submit an unsuccessful bid to offer the ETA, should not be negatively affected under the service test because of their decisions.

Features of the ETA and the Bidding Process

PNC strongly suggests that, to the greatest extent practical, Treasury not determine specific mandatory features of the ETA in advance of receipt of competitive bids. As is true in the case of accounts offered voluntarily, financial institutions will have the greatest incentive to enter into a contract with Treasury to be a provider of an ETA if they can use their full range of creative resources in designing an ETA. This approach would be most likely to result in a wide choice of suitable accounts from which Treasury could select one or more appropriate offerings. Subject to these considerations, PNC envisions the ETA having the following characteristics:

- It would include, initially, electronic deposits, and withdrawals at ATMs, POS locations and possibly locations of certain third parties which, by agreement with the financial institution, could facilitate broader access by recipients to their funds, and permit greater choices to recipients as to where and how to receive their funds. By not including check transactions, the ETA would promote enhanced security for the recipient and the financial institution, keeping down costs for both parties associated with check fraud. This is particularly important in working with a segment of the public which is not experienced in using bank products and services.
- Financial institutions should be able to charge reasonable fees for account maintenance, for account transactions and for any other services provided in connection with the account.
- ETAs should be subject to ATM access fees in accordance with the institution's standard policies for its deposit accounts and the use of its ATMs generally. Recipients would then have the option of using an ATM of the account holding institution if doing so would avoid additional access fees.
- Additional features could be added when the industry has had sufficient experience in working with ETAs to understand better what increased functionality would be mutually beneficial.
- Treasury must recognize the need of financial institutions to be able to decline to open specific accounts, or to close accounts, as they do with respect to their other deposit accounts. In offering ETAs, a financial institution should be able to take the same steps to protect itself from losses resulting from misuse of these accounts, as it would with any customer who misuses an account.
- Financial institutions should be free to work with third parties such as check cashers and money transmitters to develop arrangements which are innovative and offer additional choices to recipients. Such arrangements can be consistent with the goals of consumer

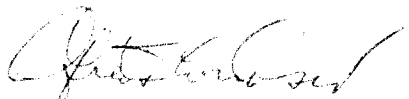
protection and bringing recipients who do not have bank accounts into the mainstream of the financial services industry, since the recipient would have an account at a financial institution and the ETAs would be subject to applicable consumer regulations; financial institutions would have to impose appropriate contractual obligations on the third parties to ensure that consumer protection objectives are met.

Other Considerations

In order to promote the availability to recipients of a choice of suitable accounts, PNC urges Treasury to seek authority for financial institutions to deliver account information to recipients in connection with their electronic fund transfers by means other than the written statements which would be required today under Regulation E of the Board of Governors of the Federal Reserve System. Given the limited nature of the activity on the accounts we have been discussing, it should be possible to use other means to provide sufficient information to recipients to enable them to confirm and monitor the activity in their accounts. For example, Voice Response Units and the transaction receipts given at ATMs and POS terminals could inform recipients about the transactions on their accounts, and many ATMs now provide a form of written statement which gives a transaction history but which might not contain all of the information otherwise required by Regulation E. (We note that Regulation E currently allows financial institutions to provide confirmation by telephone of receipt of incoming electronic payments if the institution does not otherwise send a notice to the recipient). Of course, recipients should have the same rights under Regulation E to question unauthorized or erroneous transactions as do other depositors.

Please contact the undersigned if you would like to discuss any of the comments contained in this letter.

Respectfully submitted,



Alfred F. Cordasco

AFC/gmc